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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter ended March 31, 1992

Commission file number 1-10861

GUARANTY NATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Colorado	**84-0445021**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Inverness Terrace East
Englewood Colorado 80112

(Address of principal executive offices)
(Zip Code)

Registrant's telephone number, including area code **(303) 790-8200**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

As of April 24, 1992, there were 12,460,687 shares of Registrant's $1.00 par value common stock issued and outstanding.

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GUARANTY NATIONAL CORPORATION
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GUARANTY NATIONAL CORPORATION AND SUBSIDIARIES

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Board of Directors
Guaranty National Corporation

We have made a review of the consolidated balance sheet of Guaranty National Corporation and subsidiaries as of March 31, 1992 and the related consolidated statements of earnings and cash flows for the three-month period then ended, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such consolidated financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Guaranty National Corporation and subsidiaries as of December 31, 1991, and the related consolidated statements of earnings and cash flows for the year then ended (not presented herein); and in our report dated February 19, 1992, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1991 is fairly stated in all material respects in relation to the consolidated balance sheet from which it has been derived.

Deloitte & Touche

DELOITTE & TOUCHE

Denver, Colorado
April 27, 1992

GUARANTY NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
Investments (Note 3):		
Fixed maturities, at amortized cost	$ 232,434	$ 209,198
Equity securities, at market	34,914	26,793
Mortgage loans	4,417	4,418
Other long-term investments	2,310	2,310
Short-term investments	23,747	50,323
Total investments	297,822	293,042
Cash	4,642	6,209
Accrued investment income	5,008	3,857
Accounts and notes receivable	19,545	18,321
Reinsurance recoverable on paid losses	6,675	4,985
Property and equipment, net	7,050	7,012
Deferred policy acquisition costs	19,988	15,719
Deferred income taxes (Note 5)	4,865	5,590
Other assets	1,630	4,396
Goodwill	21,953	22,122
Total assets	$ 389,178	$ 381,253

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities:		
Unpaid losses	$ 113,005	$ 108,830
Unpaid loss adjustment expenses	25,574	25,094
Unearned premiums	68,814	61,995
Notes payable (Note 4)	30,896	35,521
Other liabilities	32,799	36,151
Total liabilities	271,088	267,591
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Preferred stock, $.10 par value; authorized, 6,000,000 shares; none issued and outstanding		
Common stock, $1 par value; authorized, 30,000,000 shares; issued and outstanding, 12,460,687 shares and 12,454,755 shares	12,461	12,455
Capital in excess of par	83,561	83,472
Retained earnings	21,530	17,688
Deferred compensation on restricted stock	(784)	(757)
Net unrealized appreciation of equity securities	1,322	804
Total shareholders' equity	118,090	113,662
Total liabilities and shareholders' equity	$ 389,178	$ 381,253

See notes to consolidated financial statements.

GUARANTY NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	1992	1991
	(Unaudited)	
Revenue:		
Premiums written	$ 62,593	$ 41,414
(Increase) decrease in unearned premiums	(6,819)	2,924
Premiums earned	55,774	44,338
Net investment income	5,872	6,321
Realized investment gains (losses) (Note 3)	633	(69)
Other income	56	838
	62,335	51,428
Expenses:		
Losses incurred	30,593	26,074
Loss adjustment expenses	5,694	4,255
Policy acquisition costs	16,247	11,438
General and administrative	1,420	1,264
Interest	658	377
Other	169	169
	54,781	43,577
Earnings before federal income taxes	7,554	7,851
Federal income taxes (Note 5)	2,154	2,776
Net earnings	$ 5,400	$ 5,075
Earnings per common share	$ 0.43	$ 0.41

See notes to consolidated financial statements.

GUARANTY NATIONAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Three Months Ended March 31,	
	1992	1991
	(Unaudited)	
Operating Activities:		
Premiums collected	$ 61,521	$ 43,879
Net investment income collected	4,420	5,888
Losses and loss adjustment expenses paid	(31,632)	(31,518)
Policy acquisition costs and general and administrative expenses paid	(24,438)	(14,484)
Interest paid	(483)	(434)
Federal income taxes paid	(1,150)	(3,150)
Other receipts (payments)	2,792	138
Net cash provided by operating activities	11,030	319
Investing Activities:		
Maturities of fixed maturities	13,931	3,687
Sales of fixed maturities	13,533	69,350
Sales of equity securities	1,321	9,311
Sales of other long-term investments	1	2
Net change in short-term investments	26,577	(4,033)
Sales of property and equipment	39	30
Purchases of fixed maturities	(51,608)	(63,018)
Purchases of equity securities	(8,347)	(7,705)
Purchases of property and equipment	(736)	(1,997)
Net cash provided by (used in) investing activities	(5,289)	5,627
Financing Activities:		
Repayment of notes payable	(4,625)	
Dividends paid	(1,558)	(1,549)
Repayment on financing transactions with affiliate	(1,125)	(1,397)
Net cash (used in) financing activities	(7,308)	(2,946)
Net Increase (Decrease) in Cash	(1,567)	3,000
Cash, Beginning of Period	6,209	5,433
Cash, End Of Period	$ 4,642	$ 8,433

GUARANTY NATIONAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
For the Three Months Ended March 31, 1992

NOTE 1 - GENERAL

The accompanying unaudited consolidated financial statements of Guaranty National Corporation and subsidiaries (the "Company") have been prepared in accordance with generally accepted accounting principles applicable to interim reporting and do not include all the information and footnotes required for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1992, are not necessarily indicative of the results that may be expected for the year ending December 31, 1992.

Although these financial statements are unaudited, the 1992 financial statements have been reviewed by the Company's independent auditors, Deloitte & Touche, for conformity with accounting requirements for interim financial reporting. Their report on such review is included herein. These financial statements should be read in conjunction with the financial statements and related notes for the more complete explanations included in the Company's Annual Report to Shareholders and Form 10-K for the year ended December 31, 1991.

NOTE 2 - EARNINGS PER SHARE

Earnings per common share has been computed using the weighted average number of shares and equivalent shares outstanding of 12,468,901, and 12,393,414 for the three months ended March 31, 1992 and 1991, respectively. The common stock equivalents are stock options which result in a dilutive effect from assumed exercise of the options.

NOTE 3 - INVESTMENTS

At March 31, 1992 and December 31, 1991, the estimated aggregate market value of fixed maturities was $233,299,000 and $212,518,000, respectively, and the cost of equity securities was $32,911,000 and $25,574,000, respectively. At March 31, 1992 and December 31, 1991, the Company had investments in non-investment grade and not rated securities totaling $37,303,000 and $43,252,000 with market values of $36,276,000 and $40,449,000, respectively.

Realized investment gains and losses, which include write-downs for other than temporary impairment of $1,225,000 and $600,000 for the three months ended March 31, 1992 and 1991, respectively, are as follows (in thousands):

	Three Months Ended March 31,	
	1992	1991
Fixed maturities:		
Gains	$ 1,740	$ 2,030
Losses	1,251	1,686
	489	344
Equity securities:		
Gains	163	277
Losses	19	690
	144	(413)
Total	$ 633	$ (69)

NOTE 4 - NOTES PAYABLE

Notes payable consists of the following (in thousands):

	March 31, 1992	December 31, 1991
Bank term loan; unsecured; payable in quarterly installments through 1994 ($3,000,000 of prepayment made in February 1992); bearing interest at a floating rate; interest rate at March 31, 1992 and December 31, 1991 was 4.94% and 5.81%	$ 10,000	$ 14,625
Subordinated notes to Orion Capital Corporation (former parent); unsecured; due in quarterly installments beginning April 1, 1994 through 1998; bearing interest at a rate of 9.5%	20,896	20,896
	$ 30,896	$ 35,521

NOTE 5 - INCOME TAXES

The components of the provision for income taxes are as follows (in thousands):

	Three Months Ended March 31, 1992	1991
Current	$ 1,697	$ 2,364
Deferred	457	412
	$ 2,154	$ 2,776

The following table reconciles the effective tax rate to the federal statutory rate of 34 percent (in thousands):

	Three Months Ended March 31, 1992	1991
Earnings before taxes	$ 7,554	$ 7,851
Expected income tax expense	2,568	2,669
Adjustments resulting from:		
Dividends received deduction	(247)	(175)
Nontaxable interest	(244)	(9)
Deferred tax limitation (benefit)	(9)	268
Other, net	86	23
	$ 2,154	$ 2,776

NOTE 6 - CONTINGENCIES

In 1984 the Company entered into a reinsurance agreement with Omaha Indemnity Company ("Omaha"), a subsidiary of Mutual of Omaha, under which Omaha was the 100% reinsurer of policies of the Company issued on risks selected and underwritten by one of Omaha's managing general agents. The Company unilaterally terminated the agreement in accordance with its terms in 1985. The arrangement allegedly caused Omaha to suffer significant financial loss, in large part because of the uncollectibility of certain retrocessions placed by Omaha or its managing

NOTE 6 - CONTINGENCIES (Continued)

general agent. By letter dated October 9, 1991, counsel to Omaha alleged, among other matters, that the Company knowingly permitted Omaha's managing general agent to exceed its underwriting authority and stated that Omaha had instructed counsel to institute an arbitration proceeding to recover from the Company all or part of the losses it incurred unless the Company agreed to a settlement for approximately $8,800,000. The Company has denied Omaha's claims as being totally without merit and has rejected the settlement demand. Although arbitration proceedings have been instituted, Omaha continues to pay all claims submitted to it under the reinsurance agreement. The Company will defend itself vigorously under any proceeding instituted by Omaha. Management of the Company believes, on the basis of its own evaluation and on advice of its outside counsel that, while the outcome of any proceeding which might be brought by Omaha cannot be predicted with certainty, the Company has strong defenses and expects it will prevail. In the opinion of Management, the outcome of the above matter will not materially affect the financial condition of the Company and its subsidiaries taken as a whole.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results for the Quarters Ended March 31, 1992 and March 31, 1991

Guaranty National Corporation and subsidiaries (the "Company") performance by operating unit for the quarters ended March 31, 1992 and 1991, are summarized below:

	Three Months Ended March 31, 1992	1991
Commercial Lines:		
Gross premiums written	$ 29,960	$ 28,351
Operating ratio	96.1%	95.5%
Personal Lines:		
Gross premiums written	$ 26,512	$ 23,176
Operating ratio	97.4%	98.4%
Collateral Protection:		
Gross premiums written	$ 12,913	–
Operating ratio	96.8%	
Total:		
Gross premiums written	$ 69,385	$ 51,527
Operating ratio	96.7%	97.1%

Commercial lines volume and mix of business has remained fairly constant in the first quarter of 1992 compared to first quarter of 1991. Automobile gross premiums were 76.3% of total commercial lines premiums for the quarter ended March 31, 1992 compared to 72.1% for the quarter ended March 31, 1991. During the first quarter of 1992, the average commercial lines premium per policy-in-force increased approximately 5.7% and the number of policies-in-force was virtually unchanged.

Recent price increases implemented, combined with a decrease in incurred but not reported loss reserves and a reduction in claims frequency, offset the impact of increased severity of losses reported on the loss ratio. This increase in severity (30%) was the result of 26 large losses (exceeding $75,000) in the first quarter of 1992 versus 11 in the same period last year. Excluding these large losses the increase in claim severity would have been 4.6%. The expense ratio showed a .6% increase due to a higher level of costs, primarily commissions.

Personal lines has achieved overall increase in premiums due to growth in Colorado and Texas, more than offsetting the decline in writings in other states where underwriting standards have been tightened. During the first quarter of 1992, the Company's average premium per policy on new business was up 10.6% and the number of policies-in-force increased by 3.4%.

The reduction in the loss component of the operating ratio of 1.3%, reflects a positive impact of various steps, including higher premium rates, taken in 1990 and 1991 to improve profitability. Claims frequency declined which virtually offset the increase in claim severity reported during the first quarter of 1992.

The Company began operating under a new reinsurance program effective January 1, 1992. The new program includes all lines covered under the previous contracts at similar limits. Special risk policy retentions now range from $150,000 to $300,000 versus $150,000 to $200,000. The Company's umbrella coverages, which is the only area of commercial lines underwriting that does not focus on nonstandard risks, range from $50,000 to $300,000 versus $50,000 to $100,000. The Company believes that the savings from lower coded premium rates and improved cash payment terms will significantly outweigh the risks of increased retention on the above business lines.

Another change in the reinsurance program for 1992 compared to 1991 is the termination of the commercial automobile quota share reinsurance agreement. Premiums ceded under this reinsurance agreement were $3,283,000 in the first quarter of 1991. The agreement had an immaterial impact on 1991 earnings.

The Company began writing collateral protection business in the second quarter of 1991. Furthermore, in 1991 the Company and an affiliate shared this business, whereas in 1992 all such business is being written by the Company. The $12,913,000 gross premiums written includes $6,644,000 premiums assumed from the affiliate on January 1, 1992, which represents the remaining unearned premiums on policies written by the affiliate in 1991. Direct premiums produced in the first quarter of 1992 by this operating unit increased 14.6% over its production for the affiliate the same period last year. The collateral protection business, in total, achieved an operating ratio of 94.9% in the first quarter of 1991. The Company recorded pretax income from Intercon General Agency, Inc.'s operations of $829,000 in the first quarter of 1991, while the affiliate recorded the investment and underwriting income.

The Company's insurance operating units in total showed $546,000 of adverse development on 1991 and prior loss reserves in the first quarter of 1992 compared to $1,436,000 in the first quarter of 1991. This development equates to 0.4% and 1.1% of loss reserves at the end of the previous years 1991 and 1990, respectively. The adverse development in the first quarter of 1992 was caused by strengthening of reserves in personal automobile and commercial automobile and incurred but not reported loss development exceeding estimates in professional liability policies written prior to 1985.

During the first quarter, the Company continued a shift in the composition of the investment portfolio to tax-advantaged securities. Average nontaxable securities were 15% of total invested assets for the first quarter of 1992 versus less than 1% in 1991. This strategy, along with the decline in interest rates, has resulted in lower pretax investment income in the first quarter of 1992 compared to the first quarter of 1991. The investment yield on an after-tax basis for the first quarter of 1992 was 5.83% compared to a yield of 6.13% for the first quarter of 1991. The majority of the investment portfolio continues to be invested in fixed maturities and short-term investments which represents 86.0% of the portfolio at March 31, 1992 compared to 88.6% at December 31, 1991.

The Company reduced its holdings in non-investment grade bonds during the first quarter to 10.5% of total invested assets at March 31, 1992 compared to 12.4% at December 31, 1991. Investments in not rated securities were 2.0% and 2.4% of total invested assets at March 31, 1992 and December 31, 1991, respectively. Highly rated fixed maturities (rated AAA or AA) showed a significant increase from 36.4% of total invested assets at December 31, 1991 to 45.3% at March 31, 1992. Total sales resulted in realized investment gains of $1,858,000 during the first quarter. Provisions for losses on securities deemed to be other than temporarily impaired, which are included in realized investment gains (losses) were $1,225,000 in the first quarter of 1992 compared to the $600,000 recorded in the first quarter of 1991. The non-investment grade bond market, as a whole, showed improvement during the first quarter of 1992, however, certain securities in the portfolio have not responded. Because of this occurrence, the Company believes a more conservative position on non-investment grade securities is warranted.

Liquidity and Capital Resources

Positive cash flow from operations was generated of $11,030,000 for the first quarter of 1992 as compared to $319,000 for the first quarter of 1991. A significant event causing the lower cash flow in the first quarter of 1991 was the deferral from December 1990 to January 1991 of a $3,050,000 tax payment to the Company's former parent. The improvement in cash flow is the result of higher levels of written premium in relation to loss payments and other expenses, particularly in personal lines. Additionally, the assumption of the collateral protection business discussed above provided operating cash flow of $4,539,000 which represents the transfer of unearned premiums less a ceding commission and an estimate of loss and loss expense reserves.

Net cash used in investing activities was $5,289,000 for the first quarter of 1992 which was primarily used to purchase investment securities. Net cash provided by investing activities for the first quarter 1991 was $5,627,000. The change in funds provided by investing activities in 1991 compared to funds used in 1992 corresponds to the increase in cash flow from operations.

The Company reduced its short-term investments to 8% of total invested assets at March 31, 1992, compared to 17% maintained at December 31, 1991, in order to fund the purchase of nontaxable bonds discussed above. The Company maintains sufficient liquidity in its investment portfolio through its short-term investment holdings to meet operating cash payment requirements.

Cash used in financing activities was $7,308,000 and $2,946,000 for the first quarter of 1992 and 1991, respectively. The increase in cash out-flows was primarily due to a $4,625,000 payment on the bank term loan of which $3,000,000 was made earlier than scheduled in 1992 to reduce the interest cost. The Company declared and paid a regular quarterly dividend of $.125 a share in the first quarter of 1992 and 1991.

The Company has made no commitments for additional material capital expenditures.

GUARANTY NATIONAL CORPORATION AND SUBSIDIARIES

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a discussion of legal proceedings, reference is made to Form 10-K for the fiscal year ended December 31, 1991. During the quarter ended March 31, 1992, there were no material developments in the matters discussed.

ITEM 2. CHANGES IN SECURITIES

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. SUBMISSION OF MATTER TO A VOTE OF SECURITY HOLDERS

None

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

28.1 Management Agreement

(b) Reports on Form 8-K

No reports on Form 8-K have been filed by the Registrant during the quarter.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Guaranty National Corporation

By: _____
Roger B. Ware, President and
Chief Executive Officer
(Principal Executive Officer)

By: _____
Michael L. Pautler, Senior Vice
President-Finance/Treasurer
and Corporate Information Systems
(Principal Financial Officer)

By: _____
Patricia T. Hemley, Vice
President-Finance
(Principal Accounting Officer)

DATE: April 27, 1992

EXHIBIT INDEX

Exhibit Number	Exhibit	Page Number
28.1	Management Agreement by and among Guaranty National Corporation and all subsidiaries	Page 16 of 37

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NOW, THEREFORE, in order to commit to writing and make a record of their agreements among themselves to reimburse each company that is a party hereto for services, supplies, and facilities actually used by particular affiliates in accordance with the generally accepted accounting principles, such parties hereto as are undersigned do agree, contract, and covenant as follows:

1. That it is the intention of this instrument to provide for each party hereto only bearing the cost of the actual services, facilities, and supplies used or consumed by it, and in the event of charges which are specifically and clearly identifiable as being incurred by or for the benefit of any one of the parties hereto, such charges shall be borne by such party.

2. That it is further the intention of the parties hereto to provide an equitable means for division of expenses for items mentioned herein that cannot otherwise be conveniently and clearly identified as being incurred by or for the benefit of any one of the parties hereto, upon the basis hereinafter set forth.

3. That the cost of personal services of employees and officers used in common by the affiliates, including payroll taxes, fringe benefits, and retirement benefits, shall be reimbursed to the party paying compensation for

such employee on the basis set forth in the Expense Allocation Arrangement between GUARANTY NATIONAL CORPORATION, GUARANTY NATIONAL INSURANCE COMPANY, LANDMARK AMERICAN INSURANCE COMPANY, AUTO INSURANCE CENTERS, INC., AND INTERCON GENERAL AGENCY, INC., attached hereto and incorporated herein as Exhibit "A".

4. That the allocation of federal income taxes is based upon separate return calculations and the intercompany tax balances are to be settled annually.

5. All supplies and facilities which are consumed by each affiliate shall be reimbursed to the party expending sums for their purchase on the basis of actual cost for the supplies so used.

6. The cost of office space and utilities (other than telephone expense) shall be reimbursed on the basis of the cost of actual space used in the affairs of a particular affiliate where sole use of such actual space can be defined, and where space is used in common by one or more affiliates the cost thereof shall be prorated between the affiliates using same on the basis set forth in Exhibit "A", incorporated herein and attached hereto.

7. Telephone expense shall be reimbursed on the basis of an estimate of proportionate use thereof, including basic charges and long distance and other specific charges, as set forth in Exhibit "A", incorporated herein and attached hereto.

8. Charges for computer services and other services of a professional or accounting nature, including the services or facilities purchased from nonaffiliates, shall be reimbursed to the party paying the same on the basis of actual exclusive use by an affiliate; and where such services are used in common, the division of the cost thereof shall be on the basis set forth in Exhibit "A", incorporated herein and attached hereto.

9. Any expenses or charges for services or facilities provided to or for the benefit of the parties hereto by GUARANTY NATIONAL CORPORATION shall, if the basis for sharing the same is not otherwise set forth above, be prorated between all the parties hereto in accordance with the Rental and Lease Agreement attached hereto and incorporated herein as Exhibit "B".

10. That GUARANTY NATIONAL CORPORATION shall indemnify and hold harmless GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY, in accordance with the Indemnity Agreement attached hereto and incorporated herein as Exhibit "C".

11. There shall be constituted a committee, to consist of the President and Treasurer of GUARANTY NATIONAL CORPORATION, to determine and adjust any and all charges to each affiliate. Such charges shall be final and binding upon each affiliate as to the method and means of proration, unless objection thereto is made within five (5) days of

presentment of such charges. Each affiliate shall have thirty (30) days after receipt of its charges to settle such balance as the statement reflects, in accordance with the Servicing Agent Agreement attached hereto and incorporated herein as Exhibit "D".

12. That the duration of this Agreement shall in no event exceed five (5) years from the date of execution, subject to renegotiation on each anniversary thereof. That, additionally, GUARANTY NATIONAL CORPORATION reserves the right to cancel this Agreement in the event such renegotiation is unacceptable or the cancellation of any of the agreements attached hereto and incorporated herein are deemed necessary prior to the expiration.

13. Except as provided hereunder:

A. Subject to the supervision, review, and right of veto by the governing body (Board of Directors) of GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY, GUARANTY NATIONAL CORPORATION shall have all the powers and authority, both express and implied, necessary, ordinary, usual, and convenient to conduct the said insurance business in all of its aspects and in all states and counties in which GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY is authorized to

conduct or underwrite such business. Without limiting the generality of the foregoing, GUARANTY NATIONAL CORPORATION shall, with the exceptions contained herein, have the power to conduct, control, and supervise on behalf of GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY complete insurance activities, including marketing, underwriting, collection of premiums, adjusting, defending or prosecuting claims, losses, and actions, accounting and record keeping, preparation of accounting and statistical reports and statements, making and promulgation of rates and rating systems, accepting or ceding reinsurance, making and determining investments subject to its direction, and any and all other activities necessary, convenient, or incidental to the operation of its business and for the protection of its interests.

B. Notwithstanding such provisions, GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY:

(1.) Shall own and have custody and control of and shall have in its own

possession its general corporate accounts and records.

(2.) Shall own all and severally the records of its business, except those corporate or other records necessarily maintained by GUARANTY NATIONAL CORPORATION in the operation of its own business.

(3.) Shall have the ultimate right to veto underwriting policies of GUARANTY NATIONAL CORPORATION with respect to its business and the right to veto any individual risk, or risks, or combination or group thereof proposed.

(4.) Shall have the right to cancel any risk, or risks, or combination or group thereof.

(5.) Shall have an ultimate veto on appointment of agents and the ultimate power to cancel any agency.

(6.) Shall have ultimate responsibility for and general control of claims adjustments and claims payments.

(7.) Shall have the ultimate right of veto over commission rates.

14. Premiums collected by GUARANTY NATIONAL CORPORATION for GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY shall be held in a fiduciary capacity and paid over respectively or deposited into a separate account or account held in its name as soon after the same shall have been collected as is conveniently possible.

15. GUARANTY NATIONAL CORPORATION shall avoid acquiring any conflicting interest with GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY arising out of activities which in fact amount to business competition on the part of GUARANTY NATIONAL CORPORATION with GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY. All officers and directors of GUARANTY NATIONAL CORPORATION will complete and execute annual comprehensive Conflict of Interest questionnaires.

16. In the event that GUARANTY NATIONAL CORPORATION shall fail to perform this Agreement to the satisfaction of GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY, notice of such failure shall be given to GUARANTY NATIONAL CORPORATION detailing the specific dissatisfaction. In the event that GUARANTY NATIONAL CORPORATION shall fail to conform its performance to the expectations of GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY within a period of thirty (30) days from and after such written notice,

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GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY shall have the absolute right at the expiration of said thirty (30) days to cancel this Agreement, except that in the event of extraordinary circumstances, such as the discovery of fraud or gross incompetence on the part of GUARANTY NATIONAL CORPORATION, such period of notice shall be ten (10) days.

17. This Agreement shall not be assigned in whole or in part by GUARANTY NATIONAL CORPORATION without the written assent of GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers, and have caused their respective corporate seals to be affixed, at Englewood, Colorado, this 26th day of February, 19 91.

GUARANTY NATIONAL CORPORATION

Roger Ware
President

Senior Vice President-Finance/Treasurer and Corporate Information Systems

GUARANTY NATIONAL INSURANCE COMPANY

Roger Ware
President

Senior Vice President-Finance/Treasurer and Corporate Information Systems

LANDMARK AMERICAN INSURANCE COMPANY

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

AUTO INSURANCE CENTERS, INC.

President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

INTERCON GENERAL AGENCY, INC.

President

Senior Vice President-Treasurer

Doc 2464-37

Exhibit "A"

EXPENSE ALLOCATION ARRANGEMENT
BETWEEN THE PARTIES,
GUARANTY NATIONAL CORPORATION
GUARANTY NATIONAL INSURANCE COMPANY
LANDMARK AMERICAN INSURANCE COMPANY
AUTO INSURANCE CENTERS, INC.
AND
INTERCON GENERAL AGENCY, INC.

Each party shall pay its own expenses, taxes, and other costs incident to or resulting from this agreement, whether or not the transactions contemplated hereby are consummated. Expenses directly related to an individual party will be paid by that party.

Expenses not specifically identifiable to an individual party will be paid through GUARANTY NATIONAL INSURANCE COMPANY. On December 31, 1991, or within thirty (30) days thereafter, all incurred expenses of GUARANTY NATIONAL INSURANCE COMPANY which would be reflected on page 11 of the NAIC Annual Statement will be allocated to GUARANTY NATIONAL INSURANCE COMPANY and LANDMARK AMERICAN INSURANCE COMPANY based on gross premium written.

This arrangement shall continue in force until terminated by mutual agreement.

The total amount allocated to LANDMARK AMERICAN INSURANCE COMPANY will be charged to the intercompany accounts and paid by January 31st of the following year.

IN WITNESS WHEREOF, the parties have caused this agreement to be executed by their respective officers, and

have caused their respective corporate seals to be affixed, at Englewood, Colorado, this 31st day of December, 19 91.

GUARANTY NATIONAL INSURANCE COMPANY

President

Senior Vice President-Finance/Treasurer and Corporate Information Systems

LANDMARK AMERICAN INSURANCE COMPANY

President

Senior Vice President-Finance/Treasurer and Corporate Information Systems

AUTO INSURANCE CENTERS, INC.

President

Senior Vice President-Finance and Corporate Information Systems

INTERCON GENERAL AGENCY, INC.

President

Senior Vice President-Treasurer

GUARANTY NATIONAL CORPORATION

President

Senior Vice President-Finance/Treasurer and Corporate Information Systems

Doc 26 of 37

Exhibit "B"

RENTAL AND LEASE AGREEMENT

THIS AGREEMENT, made and entered into this 31st day of December, 1991 between GUARANTY NATIONAL CORPORATION of Englewood, Colorado, hereinafter referred to as "Lessor", and GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC., hereinafter referred to as "Lessee",

W I T N E S S E T H:

The Lessor does hereby lease unto designated Lessee various items of property, as per Schedule (S) attached hereto and incorporated herein for all purposes. To have and to hold, for a term beginning on the 1st day of January, 1992 and ending on the 1st day of January, 1994, and continuing thereafter on a month-to-month basis unless cancelled by either party by giving written notice to the other not less than thirty (30) days before requested date of termination.

The amount of rental that Lessee shall pay to Lessor for said items of property shall be in accordance with the Schedule (S) attached and shall be dependent on various items, or replacements thereof, to be leased from time to time. The rental due hereunder shall be paid monthly on or before the first day of the month following the month in

which the various items of property are leased or rented to the Lessee.

The ordinary maintenance of said property, caused from wear and tear, shall be at the expense of Lessee, and if made by some third party at the instance of the Lessee, the cost thereof shall be paid by the Lessee on demand. The Lessee will pay property tax.

The validity, interpretation, and performance of this Agreement shall be controlled by and construed under the laws of the State of Colorado.

This Agreement shall be binding on and shall inure to the benefit of the parties and their legal representatives, successors, and assigns.

After two (2) years from date, either party shall have the right to terminate this Agreement at any time hereafter by giving to the other party thirty (30) days prior written notice and thereby be relieved of all further liability hereunder. Any notice to be given hereunder shall be given in writing and delivered personally, or by telegram, or by registered or certified mail, postage prepaid, at: 100 Inverness Terrace East, Post Office Box 3329, Englewood, Colorado 80155.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers, and have caused their respective corporate seals to be affixed, at Englewood, Colorado, this 31st day of December, 19 91.

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GUARANTY NATIONAL CORPORATION

Roger Ware
President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

GUARANTY NATIONAL INSURANCE COMPANY

Roger Ware
President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

LANDMARK AMERICAN INSURANCE COMPANY

Roger Ware
President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

AUTO INSURANCE CENTERS, INC.

Charles E. Hanson
President

Senior Vice President-Finance
and Corporate Information Systems

INTERCON GENERAL AGENCY, INC.

President

Senior Vice President-Treasurer

Exhibit "B1"

The attached depreciation schedules represent depreciation accrued by GUARANTY NATIONAL CORPORATION for company automobiles, computer software, and furniture and fixtures. GUARANTY NATIONAL INSURANCE COMPANY pays on a monthly basis the depreciation for these capital expenditures. The schedules attached include depreciation through December 31, 1991. Monthly lease payments by GUARANTY NATIONAL INSURANCE COMPANY change on a monthly basis depending on purchases during that month.

GNC RENTALS AT 12/31/91

DESCRIPTION	ACQUIRED VALUE	TOTAL DEPRECIATION	BOOK VALUE
AUTOMOBILES	703,201.17	234,920.83	468,280.34
COLD SITE	17,100.00	5,415.00	11,685.00
EQUIPMENT	440,867.33	259,090.36	181,776.97
FURNITURE	1,438,375.36	776,061.26	662,314.10
LEASEHOLD	104,503.74	49,943.71	54,560.03
SOFTWARE	812,909.28	472,849.76	340,059.52
	3,516,956.88	1,798,280.92	1,718,675.96

Exhibit "C"

INDEMNITY AGREEMENT

FOR AND IN CONSIDERATION of the sum of Ten and no/100 Dollars ($10.00) and other good and valuable consideration, GUARANTY NATIONAL CORPORATION will at all times indemnify and keep indemnified GUARANTY NATIONAL INSURANCE COMPANY, and LANDMARK AMERICAN INSURANCE COMPANY, and AUTO INSURANCE CENTERS, INC., and INTERCON GENERAL AGENCY, INC., and hold and save them harmless from and against any and all actions or causes of action, claims, demands, liabilities, loss, damage, or expense of whatsoever kind and nature, including counsel or attorneys' fees, whether incurred under retainer or salary or otherwise, which GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC. shall or may at any time sustain or incur by reason or in consequence of having executed various agreements to rent, lease, or lease with option to purchase various items of property, including but not limited to automobiles, furniture, office equipment, data processing equipment, telephone equipment, office fixtures and machines, or which GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC. may sustain or incur in connection with any litigation, investigative, or other expenditures incident to such rental, lease, or lease-

purchase agreements, including any suit instituted to enforce the obligations of this agreement of indemnity, and GUARANTY NATIONAL CORPORATION will pay to GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC., or their assigns, all sums of money, with interest, which GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC. shall or may loan, advance, pay, or cause to be paid, or become liable to pay, on account of or in connection with such rental, lease, or lease-purchase agreement, and GUARANTY NATIONAL CORPORATION will make such payment to GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC. as soon as it shall become liable therefor, whether they shall have paid out such sum, or any part thereof, or not. In any accounting which may be had between GUARANTY NATIONAL CORPORATION and GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC., GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and/or AUTO INSURANCE CENTERS, INC. and/or INTERCON GENERAL AGENCY, INC. shall be entitled to charge for any and all disbursements in and about the matters herein contemplated made by them in good faith under the belief that they were

or are liable for the amount so disbursed or that it was necessary or expedient to make such disbursements, whether or not such liability, necessity, or expediency existed.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers, and have caused their respective corporate seals to be affixed, at Englewood, Colorado, this 31st day of December, 19 91.

GUARANTY NATIONAL CORPORATION

President

Senior Vice President-Finance/Treasurer and Corporate Information Systems

GUARANTY NATIONAL INSURANCE COMPANY

President

Senior Vice President-Finance/Treasurer and Corporate Information Systems

LANDMARK AMERICAN INSURANCE COMPANY

President

Senior Vice President-Finance/Treasurer and Corporate Information Systems

AUTO INSURANCE CENTERS, INC.

President

Q-71+27

Senior Vice President-Finance
and Corporate Information Systems

INTERCON GENERAL AGENCY, INC.

President

Senior Vice President-Treasurer

SERVICING AGENT AGREEMENT
BETWEEN
GUARANTY NATIONAL CORPORATION
AND
GUARANTY NATIONAL INSURANCE COMPANY
AND/OR
LANDMARK AMERICAN INSURANCE COMPANY

IT IS AGREED that GUARANTY NATIONAL CORPORATION will be the servicing agent for GUARANTY NATIONAL INSURANCE COMPANY and/or LANDMARK AMERICAN INSURANCE COMPANY and will perform the following functions:

1. Issue premium refund checks.
2. Issue commission checks.

IT IS ALSO AGREED that GUARANTY NATIONAL INSURANCE COMPANY and LANDMARK AMERICAN INSURANCE COMPANY will reimburse GUARANTY NATIONAL CORPORATION for actual funds disbursed within sixty (60) days from date of issuance.

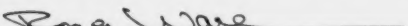
IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective officers, and have caused their respective corporate seals to be affixed, at Englewood, Colorado, this 1st day of October, 19 91.

GUARANTY NATIONAL CORPORATION

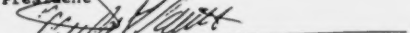
Roger Ware
President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems

GUARANTY NATIONAL INSURANCE COMPANY

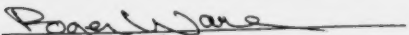


President



Senior Vice President-Finance/Treasurer
and Corporate Information Systems

LANDMARK AMERICAN INSURANCE COMPANY



President

Senior Vice President-Finance/Treasurer
and Corporate Information Systems